

MINUTES OF THE COMMISSION MEETING

Chairman Dustin Johnson called the meeting to order. Present were: Vice Chairman Gary Hanson; Commissioner Steve Kolbeck; Executive Director Patty Van Gerpen; Deputy Executive Director Heather Forney; Commission Advisor Greg Rislov; Commission Attorneys Rolayne Wiest and John Smith; Staff Attorneys Karen Cremer and Kara Van Bockern; Staff Analysts Harlan Best, Dave Jacobson and Brian Rounds; Consumer Affairs Supervisor, Deb Gregg; and Administrative Secretary Demaris Axthelm.

Also present were: Jeff Decker and Clyde Gross, NorthWestern Energy; Brett Koenecke, May, Adam, Gerdes and Thompson, representing NorthWestern Energy; Dave Gerdes, May, Adam, Gerdes and Thompson, representing Navitas Energy, Inc.; and Bob Miller, South Dakota Electric Utility Companies.

Joining the meeting by telephone were: Jackie Sargent and Don Martinez, Black Hills Power; and Bleau LaFave, NorthWestern Energy.

Consumer Reports

1. Status Report on Consumer Utility Inquiries and Complaints Received by the Commission. (Consumer Affairs: Deb Gregg)

Ms. Deb Gregg reported that the Commission had received a total of 91 contacts. Since the last report was prepared for the March 13, 2007, Commission meeting, 19 contacts involved telecommunications services; 7 contacts involved electricity issues; 7 contacts involved natural gas issues; 4 contacts involved cellular phone issues; 37 contacts involved Do Not Call Registry; and 17 contacts involved issues not regulated by the Public Utilities Commission. In 2007, 518 of the 673 complaints registered have been resolved informally. In 2006, 2,198 of the 2,466 complaints registered have been resolved informally.

Electric

1. EL06-020 In the Matter of the Application by Navitas Energy, Inc. for an Energy Conversion Facility Permit for the Construction of the White Wind Farm and Associated Collection Substation and Electric Interconnection System (Staff Analysts: Martin Bettmann/Bob Knadle/Nathan Solem, Staff Attorney: Karen Cremer)

Ms. Karen Cremer stated that she has spoken with Ryan Taylor of Cutler and Donahoe, representing Interstate Telecommunications Cooperative, Inc. (ITC) and that all concerns have been met and ITC wishes to withdraw. Staff recommends that the Commission grant ITC's request to withdraw.

Motion made by Chairman Johnson to grant Interstate Telecommunications Cooperative, Inc.'s request to withdraw. Motion passed 3-0

2. **EL07-009** In the Matter of the Filing by Black Hills Power, Inc. for Approval of Tariff Revisions. (Staff Analysts: Brian Rounds/Dave Jacobson, Staff Attorney: Kara Van Bockern)

Mr. Don Martinez, representing Black Hills Power, Inc. stated that due to the trial change of daylight savings time (DST) beginning March 11, 2007, instead of the first Sunday in April and that the meters for time of day rates are preprogrammed and the cost would be significant to reprogram for the trial change of DST. Black Hills Power Inc. (Black Hills) proposed to leave the meters programmed as is and revise its tariff for 2007. Ms. Kara Van Bockern stated this is a unique file and would like to see these filings come in before the adjustments need to take effect. Ms. Van Bockern asked Black Hills to file an amended filing with a March 11, 2007, date in order to be consisted with DST. Staff recommends that the Commission approve the Tariff revisions with a March 11, 2007, effective date.

Motion made by Commissioner Kolbeck to approve the Tariff revisions with an effective date of March 11, 2007. Motion passed 3-0

Natural Gas

1. **NG07-003** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with Great Plains Ethanol. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)
2. **NG07-004** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with James Valley Ethanol. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)
3. **NG07-005** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with Redfield Energy LLC. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)
4. **NG07-006** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with South Dakota Soybean Processors. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)
5. **NG07-007** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with Sioux River Ethanol Plant. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)
6. **NG07-008** In the Matter of the Filing by NorthWestern Energy for Approval of a Contract with Deviations with VeraSun Energy Corporation. (Staff Analyst: Dave Jacobson, Staff Attorney: Karen Cremer)

Mr. Brett Koenecke, representing NorthWestern Energy (NorthWestern), stated that NorthWestern is pleased to be a provider to the ethanol industry and prior to this date NorthWestern did this through a structure of unregulated entities, NorthWestern Services Group and Nekota Resources, LLC. (Nekota). Mr. Koenecke asked the Commission to approve the Contracts with Deviations so NorthWestern could put these systems under regulation. Mr.

Koenecke further stated that each of these customers will receive the same service and same benefit of their bargain. Nekota has been merged with NorthWestern Energy and has assigned the contracts of NorthWestern Services Group to NorthWestern Energy. Mr. Dave Jacobson stated that these contracts are in effect and the transactions by NorthWestern to move Nekota into the utility took place March 1, 2007. Staff has not done a rate analysis regarding these contracts and doesn't know if the rates are appropriate or if the Commission has legal authority to change the contracts rates, terms or conditions. Mr. Jacobson stated that Staff's primary focus in this matter is protecting the other ratepayers against undue discrimination or subsidization which will be addressed in the upcoming rate case. Staff recommends that the Commission approve the Contracts with Deviations in Dockets NG07-003, NG07-004, NG07-005, NG07-006, NG07-007 and NG07-008.

Motion made by Chairman Johnson in Dockets NG07-003, NG07-004, NG07-005, NG07-006, NG07-007 and NG07-008 that the Commission approves each of the individual Contracts with deviations and Tariff revisions. Motion passed 3-0

7. NG07-009 In the Matter of the Request of NorthWestern Energy to Establish Deferral of Former Nekota Pipeline Gas Costs. (Staff Analysts: Dave Jacobson/Nathan Solem, Staff Attorney: Karen Cremer)

Mr. Brett Koenecke stated that Nekota has been merged into NorthWestern Energy and is no longer able to bill the Utility. Although the former Nekota costs are a normal course of business for NorthWestern in providing distribution or transmission of gas to customers, NorthWestern is not able to collect the costs through the Purchased Gas Adjustment (PGA) as they are no longer third-party costs. Mr. Dave Jacobson of Commission Staff stated that earlier discussions with the company indicated that NorthWestern has concluded the Nekota merger and made this filing now, instead of concurrent with the upcoming rate case, because of concern about the Federal Energy Regulatory Commission (FERC) possibly asserting rate jurisdiction over Nekota and FERC rate jurisdiction may affect the sale of NorthWestern to BBI. Mr. Jacobson further stated that although the merger in this case has put this issue to rest for NorthWestern, Staff is looking into this to see how it affects the rate jurisdiction of any intrastate pipeline operating in the state that are subject to being exempt from rate regulation by the Commission pursuant to SDCL49-34A-1(9A). Chairman Johnson stated that in NorthWestern's filing it was indicated that NorthWestern had proposed a carrying charge of 8.53 percent on the deferral and inquired as to why that issue is being brought up now instead of at the time of the next rate case. Mr. Jeff Decker stated the carrying charge of 8.53 percent is the overall rate of return granted in the last rate case and that PGA costs for example that are under-recovered or over-recovered are allowed to have a carrying charge of 8.53 percent applied to them. Commission Advisor Mr. Greg Rislov explained that the company is probably just giving a heads up at this time that this will be an issue in the upcoming rate case. The Commission is not deciding at this time whether recovery of the deferral will be allowed or whether a carrying charge is appropriate.

Motion made by Chairman Johnson to allow NorthWestern to establish a deferral regarding former Nekota PGA costs for consideration in NorthWestern's next General rate proceeding. The Commission's motion is not making any final determination as to rate making treatment for those dollars and will wait until the next rate case and Commission grants approval with less than 30 day notice. Motion passed 3-0

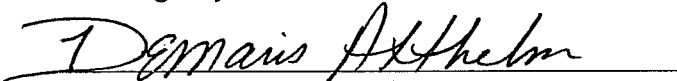
Telecommunications

1. TC06-201 In the Matter of the Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and Midco Communications, Inc. d/b/a Midcontinent Communications. (Staff Attorney: Kara Van Bockern)

Ms. Kara Van Bockern stated that the Amendment has been properly filed, has been properly executed and does not appear to contain discriminatory language. No comments were filed and staff recommends approval of the Amendment.

Motion made by Commissioner Kolbeck to approve the Amendment to the Agreement in Docket TC06-201. Motion passed 3-0

Meeting adjourned.


Demaris Axthelm
Administrative Secretary